

## DOUBLE TAXATION: SHIPPING PROFITS

*Exchanges of notes at Washington May 22, August 9 and 18, October 24, 25, and 28, and December 5 and 6, 1922*

*Entered into force December 6, 1922; operative from January 1, 1921*

47 Stat. 2612; Executive Agreement Series 14

*The Danish Minister to the Secretary of State*

ROYAL DANISH LEGATION

WASHINGTON, May 22, 1922

No. 157

SIR:

With reference to your letter of December 21, 1921 regarding Section 213 b No. 8 of the Revenue Act of November 23, 1921, I am directed to inform you that the Danish Government will be ready to declare in a note to the Government of the United States that the income of a nonresident alien or foreign corporation which consists of earnings derived from the operation of ships documented under the laws of the United States will on condition of reciprocity not be subject to taxation in Denmark.

I am further instructed to express to you the hope, that the United States Government may find it possible to extend the tax exemption in the case of Danish shipowners to include also the years 1917-1920, in which case the Danish Government will be prepared to draft the above named note to the American Government accordingly.

I have the honor to add that I am authorized to make the same statement on behalf of the Government of Iceland and I beg that my present communication may be considered as an expression also of the intention and desire of the Government of Iceland.<sup>1</sup>

I venture to hope that this proposition may be found satisfactory and that you will be able to consent to the exchange of notes referred to above at your earliest convenience.

---

<sup>1</sup> Terminated for Iceland Jan. 1, 1962, by agreement between the United States and Iceland dated Dec. 21 and 27, 1962 (13 UST 3827; TIAS 5255).

I have the honor to be, Sir, with the highest consideration,  
Your most obedient and humble servant,

C. BRUN

The Honorable  
CHARLES EVANS HUGHES,  
*Secretary of State,*  
*Department of State, Washington, D. C.*

---

*The Secretary of State to the Danish Minister*

DEPARTMENT OF STATE  
WASHINGTON, August 9, 1922

SIR:

I have the honor to refer further to your note of May 22, 1922, in which you refer to Section 213(b)(8) of the Revenue Act of 1921, providing for the exemption from taxation of the income of a non-resident alien or foreign corporation which consists of earnings derived from the operation of ships documented under the laws of a foreign country which grants an equivalent exemption to citizens of the United States, and state that your Government is prepared to declare to the Government of the United States that the income of a non-resident alien or foreign corporation which consists of earnings derived from the operation of ships documented under the laws of the United States will, on the condition of reciprocity, not be subject to taxation in Denmark or Iceland. You express the hope that it may be possible for this Government to extend the income tax exemption in question, on the basis of reciprocity, to the years 1917 to 1920, inclusive.

I have the honor to state that in order to establish between the United States and Denmark and the United States and Iceland the reciprocal income tax exemption provided for in Section 213(b)(8) of the Revenue Act of 1921, it will be necessary for the Danish Government to declare that the income from sources in Denmark and Iceland of a citizen of the United States or of an American corporation which consists exclusively of earnings derived from the operation of ships documented under the laws of the United States is not subject to income taxation in Denmark or in Iceland. Upon the receipt of a note to this effect from the Danish Government this Government will declare, in a note to the Danish Government, that Denmark and Iceland satisfy the equivalent exemption provision of Section 213(b)(8) of the Revenue Act of 1921.

I may state that in the statutes now in force no provision is made for the exemption from taxation by this Government of the income derived from the operation of foreign ships prior to January 1, 1921, and that the appropriate authorities advise the Department that they cannot see their way

clear to recommend to Congress a modification of these statutes so as to provide for the exemption of Danish and Icelandic shipowners from the payment of income taxes for the years 1917 to 1920 inclusive.

Accept, Sir, the renewed assurances of my highest consideration.

CHARLES E. HUGHES

Mr. CONSTANTIN BRUN,  
*Minister of Denmark.*

---

*The Danish Minister to the Secretary of State*

ROYAL DANISH LEGATION  
WASHINGTON, August 18, 1922

No. 236

SIR:

By my letter of August 12th (No. 230) regarding an exchange of notes between the Government of Denmark and the Government of the United States for the reciprocal exemption of shipowners from income tax, I stated it to be the understanding of the Danish Government that this exemption when established would be as from January 1st 1921, notwithstanding the fact that the actual exchange of notes can not be arranged for until some time hence because the conditions stated in your note to me of August 9th must first be brought to the knowledge of the Danish Government.

I would be greatly obliged to you if you would be so good as to confirm to me the correctness of the above named understanding.

I have the honor to be, Sir, with the highest consideration,

Your most obedient and humble servant,

C. BRUN

The Honorable  
CHARLES EVANS HUGHES,  
*Secretary of State,*  
*Department of State, Washington, D. C.*

---

*The Danish Minister to the Secretary of State*

ROYAL DANISH LEGATION  
WASHINGTON, October 24th 1922

No. 284

SIR:

With further reference to your reply-note of August 9th 1922 relative to the reciprocal exemption of shipowners from income tax as from January 1st 1921, in accordance with Section 213 b 8 of the Revenue Act of 1921,

and pursuant to instructions now received from the Danish Minister of Foreign Affairs, I have the honor to declare on behalf of the Danish Government that the income from sources in Denmark and Iceland of a citizen of the United States or of an American corporation, which consists exclusively of earnings derived from the operation of ships documented under the laws of the United States, is not subject to income taxation in Denmark or in Iceland.

In these circumstances I venture to hope that you will state in a note to me, for the information of the Danish Government, that Denmark and Iceland satisfy the equivalent exemption provision of Section 213 *b* 8 of the Revenue Act of 1921 and that Danish and Icelandic shipowners will be exempted from income tax in the United States as provided in the said Section as from January 1st 1921, in accordance with the letter (No. 236) which I had the honor to address to you on August 18th 1922.

I have the honor to be, Sir, with the highest consideration,

Your most obedient and humble servant,

C. BRUN

The Honorable

CHARLES EVANS HUGHES,

*Secretary of State,*

*Department of State, Washington, D. C.*

---

*The Secretary of State to the Danish Minister*

DEPARTMENT OF STATE  
WASHINGTON, *October 25, 1922*

SIR:

I have the honor to refer to your note of August 18, 1922, in which, with reference to the proposed exchange of notes between the United States and Denmark for the reciprocal exemption of ship owners from income taxation, you request the Department to confirm the understanding of the Danish Government that this exemption, when established, would be as from January 1, 1921, notwithstanding the fact that the actual exchange of notes can not be arranged until some later date.

I have the honor to state that upon receipt of a note from the Danish Government declaring that the income from sources in Denmark and Iceland of a citizen of the United States or of an American corporation, which consists exclusively of earnings derived from the operation of ships documented under the laws of the United States, has since January 1, 1921, not been subject to income taxation in Denmark, or in Iceland, the Treasury Department will issue a statement that Denmark and Iceland satisfy the equivalent exemption provision of Section 213(b)(8) of the Revenue Act

of 1921. In case income taxes have been collected by this Government from non-resident aliens or foreign corporations on income which consists exclusively of earnings derived since January 1, 1921, from the operation of ships documented under the laws of Denmark or Iceland, such taxes will be refunded to claimants.

Accept, Sir, the renewed assurances of my highest consideration.

For the Secretary of State:

WILLIAM PHILLIPS

Mr. CONSTANTIN BRUN,  
*Minister of Denmark.*

---

*The Danish Minister to the Secretary of State*

ROYAL DANISH LEGATION

WASHINGTON, *October 28th 1922*

No. 290

SIR:

I have the honor to acknowledge the receipt of your reply-letter of October 25th with reference to the proposed exchange of notes between Denmark and the United States for the reciprocal exemption of shipowners from income taxation, which has evidently crossed my note to you of October 24th on the same subject.

In answer thereto I beg to state that the income from sources in Denmark and Iceland of a citizen of the United States or of an American corporation, which consists exclusively of earnings derived from the operation of ships documented under the laws of the United States, is not and has not since January 1st 1921 or previously been subject to income taxation in Denmark, or in Iceland, and that my letter to you of October 24th should be so understood.

I have the honor to be, Sir, with the highest consideration,

Your most obedient and humble servant,

C. BRUN

The Honorable

CHARLES EVANS HUGHES,

*Secretary of State,*

*Department of State, Washington, D. C.*

---

*The Secretary of State to the Danish Minister*

DEPARTMENT OF STATE

WASHINGTON

SIR:

I have the honor to refer to your note of October 28, 1922, in further reference to the proposed exchange of notes between the United States and

Denmark for the reciprocal exemption of ship owners from income taxation, for which provision is made in Section 213(b)(8) of the Revenue Act of 1921, and to inform you of the receipt of a communication from the Treasury Department regarding the matter, from which the following paragraph is quoted for your information:

"I have the honor to advise that inasmuch as the income from sources in Denmark and Iceland of a citizen of the United States or of a corporation organized therein which consists exclusively of earnings derived from the operation of ships documented under the laws of the United States is not and has not been subject to income tax since January 1, 1921 or previously, it is held that Denmark and Iceland satisfy the equivalent exemption provision of Section 213(b)(8) of the Revenue Act of 1921. In case any Federal income taxes have been collected from nonresident aliens or foreign corporations on income which consists exclusively of earnings derived on or since January 1, 1921, from the operation of ships documented under the laws of Denmark or Iceland, such taxes will be the proper subject of a claim for refund."

Accept, Sir, the renewed assurances of my highest consideration.

For the Secretary of State:

WILLIAM PHILLIPS

---

*The Danish Minister to the Secretary of State*

ROYAL DANISH LEGATION  
WASHINGTON, December 6, 1922

No. 331

SIR:

I have the honor to acknowledge the receipt of your reply-note (undated) received December 5th in which, with reference to my letter of October 28th 1922, you state

"that inasmuch as the income from sources in Denmark and Iceland of a citizen of the United States or of a corporation organized therein which consists exclusively of earnings derived from the operation of ships documented under the laws of the United States is not and has not been subject to income tax since January 1, 1921 or previously, it is held that Denmark and Iceland satisfy the equivalent exemption provision of Section 213(b)(8) of the Revenue Act of 1921".

and that

"in case any Federal income taxes have been collected from nonresident aliens or foreign corporations on income which consists exclusively of earnings

derived on or since January 1, 1921, from the operation of ships documented under the laws of Denmark or Iceland, such taxes will be the proper subject of a claim for refund”.

I have at once advised the Danish Government accordingly and beg to express my very great appreciation of your courteous assistance to arrive at the desired solution of this part of the taxation question.

I have the honor to be, Sir, with the highest consideration,

Your most obedient and humble servant,

C. BRUN

The Honorable

CHARLES EVANS HUGHES,

*Secretary of State,*

*Department of State, Washington, D. C.*